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SUBJECT: German Women, Economy Stuck at Glass Ceiling

REF: Frankfurt 4327

SUMMARY

1. In a city of skyscrapers and boardrooms, the absence of top female management in Frankfurt is striking -- nor is Frankfurt unique in Germany. The "glass ceiling" for women in the German workforce is remarkably pervasive and persistent, fueling Germany's demographic problems and lowering potential growth. A scant 11 percent of German companies have a woman in management positions, compared to the EU average of 14% and 40% in the U.S. In terms of representation in management, balance between work and family, compensation, social acceptance, and entrepreneurship, German businesswomen face serious handicaps and arguably one of the lowest "glass ceilings" in Europe. The primary sources of this gender gap are institutional (Germany's shortage of day-care facilities and the constraints of half-day K-12 schooling) and societal (working mothers are often seen as bad parents). In a country of shrinking population and opportunity, forcing women to choose between career and family only compounds Germany's economic and demographic challenges. END SUMMARY.

Corporate Boards: A Man's World

2. A country led by its first-ever female chancellor (Angela Merkel), Germany remains the industrialized state with the smallest share of women in management and the fewest female top managers. Of Germany's thirty leading blue-chip companies (the DAX 30 Index, analogous to the DowJones 30 Industrials), only two executive board seats (out of 197) are occupied by women -- and those only recently: in 2004, Karin Dorrepaal joined Schering's board, followed by Christine Licci at HVB in 2005 (note that neither woman is German). Women -- often from abroad -- are only slowly making inroads in related economic fields, such as Beatrice Weder di Mauro (the first woman member of Germany's Council of Economic Advisers) and Lucrezia Reichlin (Head of Research at the European Central Bank).

3. In terms of overall workforce participation, Germany and the United States are at par (women hold 46.6% of jobs in the U.S. and 46.5% in Germany), but Germany trails the U.S. in terms of women in management. Only 21% of German executives and managers are women (compared to 35.2% in the U.S.), and most German front offices are male dominions. Women succeed in business in Germany "by sending a message to the world that they are not interested in a family," said Bernhard Meyer, owner of Meyer & Associates, a Frankfurt executive search firm specializing in investment-banking.

Equal Pay and Taxes

4. Germany is farther from realizing the goal of "equal pay for equal work" than the United States: German women employed full-time in private industry earn on average EUR 2,517 (\$3,017) per month, or around 30% less than male colleagues (women in the U.S. earn 24%

less than men for comparable work). This disparity is also prevalent in the Frankfurt area's flagship banking and insurance industries where men earn EUR 3,505 (\$4,200) per month opposed to EUR 2,704 (\$3,240) for female colleagues. Women often perceive a disadvantage when it comes to paying taxes as well, since the marginal gain from a second income in Germany's highly progressive tax system is often small, especially if a family loses entitlement to means-tested benefits.

Career vs. Family

15. The pervasive gender gap at all levels of management in Germany reflects in large part the persistent incompatibility of career and family for women. (NOTE: Chancellor Merkel herself has no children -- END NOTE). As Regine Stachelhaus (Managing Director of Hewlett-Packard Germany) puts it: "women who want to have a real career have no choice but to remain childless." The private sector's commitment to childcare and family-friendly policies, mostly voluntary, has fallen short: only an estimated 8% of firms have implemented family-friendly workplaces. Science and research also show a profound gender gap: the annual "Innovation Indicator" (published by the Federation Of German Industries/BDI) shows that Germany lags behind most other developed nations in the "participation of women in the innovation process" (2006 Report).

Institutional Deficits

16. Many feel that Germany's welfare state, in "protecting" expectant women, has fueled informal discrimination and led women to delay or forego childbearing. Since 1968, German law has barred dismissing or demoting expectant women; in 1993, guaranteed maternity leave was extended to two years (later to three), during which time

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mothers were entitled to 3.5 months (total) of full salary. As of January 2007, Germany will transition to government support payments of 12 months (or 14 months if the father takes at least two months of paternity leave). Although forbidden, it is a widespread practice for bosses to inquire about plans to have children, and are often reluctant to trust women of childbearing age with long term projects.

17. Childcare facilities in western Germany are underdeveloped and give few mothers a viable alternative to staying at home. Daycare facilities for children under three are rare, especially outside urban areas, and most only take children between 1 and 3 years. In Frankfurt, only three centers cover an eight-hour day, enabling a woman to take on a fulltime job. Even when the child turns three, where "kindergarten" attendance is widespread, a mother's workforce availability improves only marginally: most kindergartens operate only from 9 am to noon; schools likewise close typically at about 1 pm. In this respect, western German states differ from the former eastern Germany which had a far greater workforce participation of women (about 90% prior to 1989).

Cultural Prejudice Q "Rabenmuetter" and Gender Politics

18. That women bear the brunt of childrearing in Germany reflects cultural prejudice on a level beyond its Western European neighbors.

Many Germans -- men and women -- frown upon mothers who return to work at the cost of spending time with children. Barbara Schaeffer-Hegel, founder of the European Academy for Women in Politics and Business (EAF), argues that the motherhood ideology of the Nazi period left a deep impression on post-war attitudes towards working women: "The word 'Rabenmutter' (loosely translated as "bad mother" with latchkey kids) only exists in Germany." (In other European countries such as France, mothers who are professionally successful appear to bear little or no social stigma).

19. The "Rabenmutter" term comes from the fifties and sixties, when women returned home after working out of necessity during WWII and post-war rebuilding. It was considered an achievement that women could stay at home and a sign of social advancement ("my wife does

not have to work"); few thought that women would seek careers. As a result, much of Germany's institutional system (education, taxes, and so on) is designed on the presumption that mothers stay at home.

Women-Owned Businesses

¶10. With the hurdles facing women in traditional firms, entrepreneurship can be a conduit to success. (In the U.S., the number of female-owned firms increased two-and-a-half times faster in the 1990s than all U.S. businesses. Employment in these firms grew more than three times and payroll grew at almost twice the rate for all firms). This trend is lacking in Germany. While currently about 12% of German male workers become entrepreneurs, only half as many women do. One company in four is founded by a woman --and women fail less often than men on their way to entrepreneurship-- but only 10 to 15% of technology-based enterprises are owned by women. Women entrepreneurs may face difficulty in raising capital due to lack of experience reflecting workplace inequities. Founded in December 2003, the German Agency for Women Start-Ups (BGA) does counsel and support women in setting up businesses.

Policy and Politics

¶11. "Poster Mom" (mother of seven) and federal Minister of Family Affairs Dr. Ursula von der Leyen (CDU/Christian Democratic Union) has spearheaded proposals to help reconcile career and family for women, including new financial incentives and improved child care availability. A key proposal is to shorten maternity leave to 12 months and totie maternity benefits to the mother's previous income. As a result, higher-income families might have more children while the shorter maternity leave of one year would impel mothers to return to work sooner and reassure employers that maternity does not mean losing qualified personnel indefinitely. (The changes would also favor the CDU base -- namely higher-earners and companies). The Ministry of Labor and Social Affairs, under Vice-Chancellor Franz Muentefering (SPD) includes gender equality and work-life balance among its priorities for the German EU Presidency in the first half of 2007.

¶12. The issue is standard fare for Social Democrats and Greens in this region (and elsewhere): although the CDU is modernizing, it faces an uphill road on the issue after promoting "stay-at-home" motherhood for decades. CDU traditionalism has eroded the party's support in urban centers and particularly among young professionals who view its policies as reactionary or unhelpful to working families. Only in 2004 did the Hesse CDU change a long-standing platform that "the right of a child to be raised at home through age

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¶13. Among the CDU modernizers is new Baden-Wuerttemberg Minister-President Guenther Oettinger, who has polled well in urban areas of the large and wealthy state. By twisting arms among the state's successful companies, Oettinger has managed to increase significantly daycare availability for under-3 year olds, while working towards "all-day" public schools by building school cafeterias and extending the school day. Rheinland-Pfalz Minister-President (and national Social Democratic Party/SPD chairman) Kurt Beck has promoted daycare and all-day schools for the past five years -- but like other state leaders, faces the grim reality of Germany's high labor costs in any initiative.

COMMENT

¶14. As institutional and cultural pressures force women to choose between motherhood and career, Germany's birthrate has fallen to 1.3 children per woman (the EU's lowest), far below the 2.1 that experts say is necessary for a stable population. Germany is twenty years behind EU member states such as Denmark and Sweden, who reacted in the late 1980s and have significantly reduced the magnitude of their demographic problem. In any case, a shrinking population will induce women to join the German workforce in greater numbers and in more responsible positions. The faster German business and

government can dismantle the glass ceiling, the better the German economy will perform.

¶15. This cable was coordinated with Embassy Berlin.

POWELL